

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 963 - SB 937

February 26, 2015

SUMMARY OF BILL: Creates the *Healthcare Provider Stability Act* (act). Prohibits a health insurer, third-party administrator (TPA), healthcare provider, or other person from effecting a material change to a previously agreed upon rate of payment for which a healthcare provider is paid for providing items or services more than once during a one year period. Requires a TPA or healthcare provider to send written notice of a material change to the other party sixty days prior to the effective date of such change. A healthcare provider or TPA may maintain an individual or class action as the sole remedy to enforce the provisions of the bill. Defines “material change” as a change in fees or payment methodologies that a reasonable person would attach importance to in determining the action to be taken upon the change. Exempts the state, local government, and local education insurance plans, the TennCare program, or any health plan administered by the Division of Health Care Finance and Administration from the provisions of the bill. Also exempts any entity that is subject to delinquency proceedings and for which the Commissioner of the Department of Commerce and Insurance has been appointed receiver or any entity placed under administrative supervision by order of the Commissioner. Applies to all policies, contracts, and health benefit plans issued, delivered, or renewed on or after October 1, 2015.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

Other Fiscal Impact – Any change to the network rates of the carriers contracted with the state employee, local government, and local education health plans could indirectly affect the rates for these plans; the indirect impact of which cannot be reasonably determined.

Assumptions:

- Based on information provided by the Department of Commerce and Insurance, the provisions of the bill will not significantly affect the operations and regulatory responsibilities of the department.
- All health benefit plans administered by the state are exempted from the provisions of the proposed legislation; therefore, any direct impact to the payment rates offered to healthcare providers through state sponsored or funded health insurance programs will not be directly impacted.
- The provisions of the bill will impact the rate structures and payments between private insurance companies and healthcare providers.

- If additional costs are incurred within the carrier's commercial networks, there could be an indirect increase in network rates that could subsequently affect the costs associated with the state employee, local government, and local education insurance plans. Any network rate changes will be based on a number of factors that are unknown.
- Due to a number of unknown factors, including but not limited to, the timeframe in which any provider network reimbursement costs will increase, the possible increased volatility that could affect the provider networks, how this volatility will impact provider rates and the provider network itself, and how this will in turn affect the state employee, local government, and local education health plans, any increase in expenditures to the state health plan or the fiscal year in which these expenditures will occur cannot reasonably be quantified.

IMPACT TO COMMERCE:

Other Impact to Commerce - Due to a number of unknown factors, the impact to commerce cannot reasonably be determined.

Assumption:

- Due to a number of unknown factors including the resulting variation in payment rates between health care providers and private insurance companies, the extent to which health insurance companies may shift the rate variations to consumers through premiums, deductibles, and copayments, and the timeframe in which any of this might occur, the exact overall impact to commerce is indeterminable.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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